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ABSTRACT

This report presents a plan for improving higher education within Virginia focusing on controlling costs, improving educational quality, and increasing productivity. The report's three sections: (1) review the price higher education has paid in absorbing massive budgetary reductions and discuss Virginia's current standing among the states in various aspects of higher education; (2) discuss the objectives of the Commission on the University of the 21st Century, while recognizing the harsh reality of the current fiscal situation; and (3) offer proposals for financing higher education in 1992-94 and beyond, with specific objectives to be reached and suggestions for ways in which they can be funded. Specific discussions address the preparation of Virginia's institutions of higher education for the next century within the context of budgetary constraints and cover curriculum changes and new ways of teaching, organizational restructuring of colleges and universities, and the expansion of educational capacity. Also examined are the expected capital outlays in the 1990's, during which time it is suggested that, between the years 1992 and 1998, outlays of at least $1 billion are needed for educational and general space. The report concludes with an examination of the options for continued improvement and the establishment of a new relationship between the Commonwealth of Virginia and its colleges and universities. (GLR)

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ED 367 244

COLLEGES AND UNIVERSITIES FOR THE 21ST CENTURY

A Report and Proposals for Continued Improvement in Virginia Higher Education

July 10, 1991

HE 027 211

U.S. DEPARTMENT OF EDUCATION
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INTRODUCTION

This is not a plan for recovery, but a set of actions for continued improvement.

This assertion may sound strange after a year of financial trauma for Virginia and for Virginia higher education in particular. The weight of the losses alone would be enough to dampen spirits and temper vision. But we are determined that it be otherwise.

During 1990, Virginia higher education absorbed budget cuts, spread over the two years of this biennium, totaling almost $600 million: half in operating budgets and half in capital outlay as lottery proceeds were transferred to the general fund. Seldom have so many fallen so far in so short a time.

Actually, the fall began earlier, only Virginia higher education was moving so quickly that few noticed it. There has, for instance, been no significant money provided for capital outlay in higher education since 1986. In the 1989 Session of the General Assembly, lottery proceeds were allocated to capital outlay but they were subsequently diverted to meet operating budget shortfalls before a significant amount of money was released.

Innovative financing through the Higher Education Equipment Trust Fund, beginning in 1987, provided off-line revenue that masked shortages in the higher education operating budgets. So did the funds provided in the Maintenance Reserve program for physical facilities during the same period.

Unprecedented private giving gave a number of institutions flexibility they were losing in their state operating appropriations. Endowment income allowed many to participate in the Eminent Scholars program at much higher levels.

Research volume continued to increase and the overhead that accompanies sponsored projects also helped to mask signs of trouble.

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Finally, and counter to many forecasts, Virginia's colleges and universities continued to receive applications that seemingly knew no limit. With growth came additional tuition and fee revenue for many, again hiding the grim reality that higher education's share of the state's general fund appropriation was diminishing significantly.

Alongside all of this, the work of the Commission on the University of the 21st Century created a sense of excitement and anticipation within Virginia higher education and brought us national attention that went beyond the reputations of a few prominent institutions. As 1989 drew to a close and clouds gathered, the Commission presented to Virginia a brave vision of what higher education could be, juxtaposed with a realistic assessment of what it must become if the people and the Commonwealth are to flourish.

Eighteen months ago, Virginia higher education had emerged from the pack. Today, we are slipping to the rear. We rank slightly ahead of Mississippi and somewhat behind Alabama in the per-student appropriation of state revenues to higher education. We are still with the pack, but we are not on the rail, and we are losing touch with the leaders.

Contemplating our situation, one of our colleagues observed that he found it extraordinarily depressing to think that he would spend the last decade of his professional career trying to get his university back to where it was in 1988.

Then, after a pause, he said, "But of course, we really don't want to get back to 1988."

That's the point. In that sense, this is not a plan for restoration.

We are engaged in competition on all fronts: economically, as a nation among many seeking positive trade relationships, and as a state seeking corporate investment and jobs; intellectually, as colleges and universities seeking the best faculty, the best students and increased support for research; and politically, as a democratic republic that offers more freedom, opportunity, and responsibility to its citizens than any in the world.

If we only recover, we will not be competitive at the end of this century. Virginia higher education does not need money to do what it did in 1988. It needs money to do what needs to be done by 1998: total revamping of the curriculum, changes in administration and in institutional priorities, accommodation of increased enrollment, and actions that meet the demands of a vastly different economy. What follows is not a plan for recovery but for continued improvement.

This is the usual rhetoric; we have no other. But it is not the usual plan; the stakes are too high and the social consequences enormous.

As we see it, we have three alternatives. We can get more money to do our work in Virginia higher education, degrade the quality of our colleges and universities, or decrease their size. These three choices are not exclusive; we could do a little of each over the next ten years.

But as the appointed stewards of Virginia's colleges and universities, we are absolutely committed to providing the best possible higher education. Of the three choices, we shall not willingly degrade quality, for colleges and universities are among the most essential institutions in our society. They are hardly sites of privilege. Look, for example, at the welding or refrigeration laboratories of a local community college, or the emergency room of an urban health center. Our colleges and universities provide a multitude of direct services in a wide array of settings.

But more important, the hallmark of a civilized, sophisticated people is their support of advanced intellectual, aesthetic, and ethical reflection. The least important benefits of higher education are the most immediate. Virtue is the capacity to put the commonwealth ahead of self-interest. Education is the root of virtue.

Virginia's colleges and universities offer both bread and roses to the people: skills and useful knowledge, along with the ability to know the good and to do it, and to recognize

the beautiful and love it. All of these are necessary to full and rewarding lives.

We shall continue our efforts to become more efficient but not at the cost of becoming less effective. As our responses to the report of the Commission on the University of the 21st Century indicate, we are considering ways in which the organization and administration of colleges and universities can be made less costly. We are moving to employ technology where it will increase faculty productivity, although here we are constrained by the current budget situation. We realize that different ways of organizing the curriculum have different costs and we are reviewing the entire curriculum with an eye toward making it more efficient.

Virginia's colleges and universities have followed the Governor's and General Assembly's directions in making the budget reductions required of them: to the greatest extent possible, preserve a full range of instructional services and maintain the physical plant. They were right in asking that these two areas of expenditure be protected, but the colleges and universities now face a dilemma as a result of their decisions. The pain inflicted, the damage done, is largely invisible; it is "stealth" damage, not picked up by standard detection devices. Yet the damage is there, invisible and in the next few years potentially debilitating: library books not bought, periodicals canceled, equipment not replaced, promising young faculty not hired or not retained, larger classes, less advising, and so on.

This plan for continued progress has three sections: a review of the price higher education has paid in absorbing massive reductions and where Virginia now stands among the states; a discussion of the Commission on the University of the 21st Century objectives, tempered by the harsh reality of the current fiscal situation; and proposals for financing higher education in 1992-94 and beyond, with specific objectives to be reached and ways in which they can be funded.

This is not an easy document and we are not entirely easy with some of the proposals

we have made. They depart from the traditional way in which public higher education has been supported. Being convinced of higher education's value and knowing no better way to finance it if sufficient general funds are not available, we offer this set of actions for consideration by the Governor, the General Assembly, and the people of Virginia.

President, Christopher Newport College

Donald N. Dedmon
President, Radford University

Chancellor, Clinch Valley College

President, University of Virginia

President, George Mason University

President, Virginia Commonwealth University

President, James Madison University

Superintendent, Virginia Military Institute

President, Longwood College

President, VPI and State University

President, Mary Washington College

President, Virginia State University

President, Norfolk State University

President, College of William & Mary

President, Old Dominion University

President, Richard Bland College

Chancellor, Virginia Community College System

Director, State Council of Higher Education

July 10, 1991

I. VIRGINIA HIGHER EDUCATION AND THE BUDGET

Virginia higher education began the decade of the 1980s by absorbing a five percent reduction brought on by a recession. It ended with the challenge and promise articulated by the Commission on the University of the 21st Century.

Over the course of the past ten years, Virginia higher education emerged as a system of national distinction. Seven of Virginia's 15 public senior colleges and universities were named among the 100 best buys in American higher education. Several institutions were recognized as being among the premier public and private institutions in the country. *The Chronicle of Higher Education* described Virginia as the center of some of the most innovative thinking and policy-making in American higher education.

The first year of the 1990s has been unlike any other in Virginia higher education since World War II. The public colleges and universities have experienced budget reductions that can only be called extraordinary and debilitating. They first received a two percent reduction in their 1989-90 general fund support. This has been followed by an 11 percent general fund reduction for 1990-91, and a 17 percent reduction for 1991-92. Further, the Governor has been given the authority to implement additional general fund reductions that could extend the 17 percent loss to 22 percent. These reductions have occurred over a period when enrollment has grown by eight percent, and inflation has lessened the value of the dollars that remain.

Capital outlay improvements for public higher education have come to a halt. The last time the general fund was used to meet major capital outlay needs of higher education was in 1986. By the time the 1992-94 biennium begins, six years will have passed since substantial capital outlay for higher education has been provided. Two hundred and eighty-nine ($289) million dollars for approved new buildings, renovations, and infrastructure improvements for higher education has been used to meet revenue deficits. These delayed projects, as important as they are, will address only one-third of higher education's

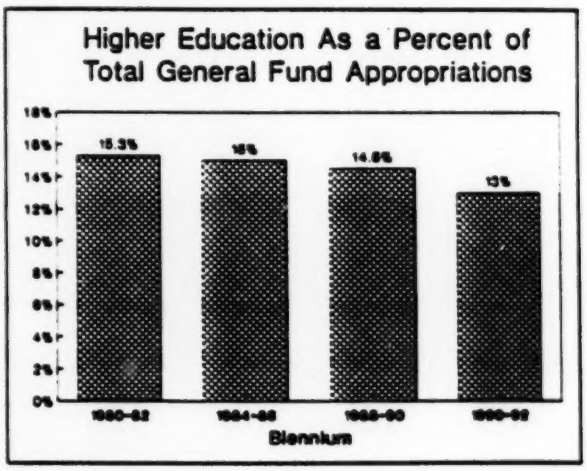
educational and general capital outlay needs during the 1990s. To address existing educational and general capital outlay deficiencies and accommodate projected enrollment growth during the 1990s will require approximately $1 billion. In addition, there is a need for new auxiliary enterprise facilities that depend on student fees and other nongeneral funds.

1990-92 OPERATING BUDGET REDUCTIONS

The Appropriation Act approved by the 1991 General Assembly may reduce the 1990-92 appropriations for Virginia's public colleges by $332 million.[1] Two hundred and seventy-six ($276) million of this already has been removed from the institutions' budgets.

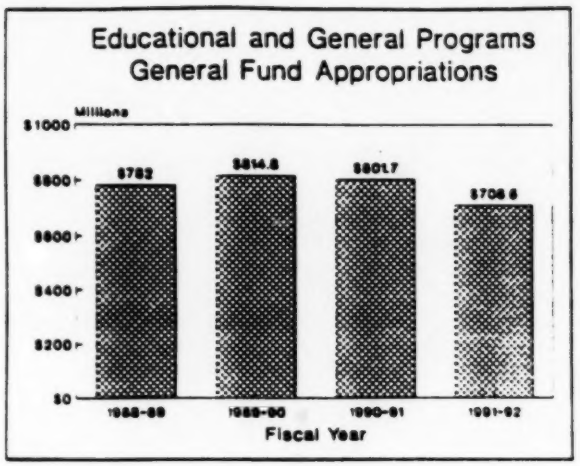
This operating budget reduction will diminish the portion of the state's total general fund appropriation that is provided to public colleges and universities. This percentage declined during the 1980s, and faces a further and precipitous reduction in the first two years of the 1990s, as the following chart shows.

To put the budget reduction for 1990-92 in perspective, a $332 million reduction is about 90 percent of the total 1988-90 general fund appropriation to the Virginia Community College System. The system enrolls 71,500 students. The potential $332 million loss is the equivalent of withdrawing funding for 64,000 of them. Even the existing budget cut of $276 million is equivalent to the total 1988-90



[1] This includes an estimated $56.5 million to reflect an additional reduction which could be implemented in August 1991.

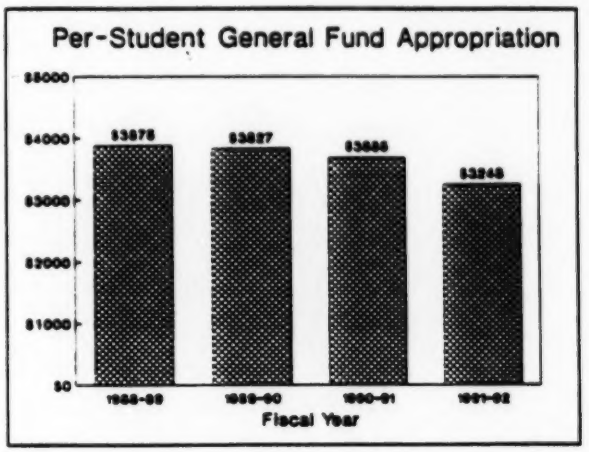
general fund budgets of George Mason University, Old Dominion University, and James Madison University, which together enroll over 40,000 full-time-equivalent students.



The considerable reduction in state funding for 1990-92 means that the general fund appropriation for higher education's educational and general operations has dwindled in each succeeding year since 1989-90. For 1991-92, it could be $108 million less than was appropriated for 1989-90.

Combined with enrollment growth, the cumulative cuts in higher education funding result in a dramatic reduction in Virginia's per-student general fund appropriation. The reduction could be more than $600 per student compared to 1988-89.

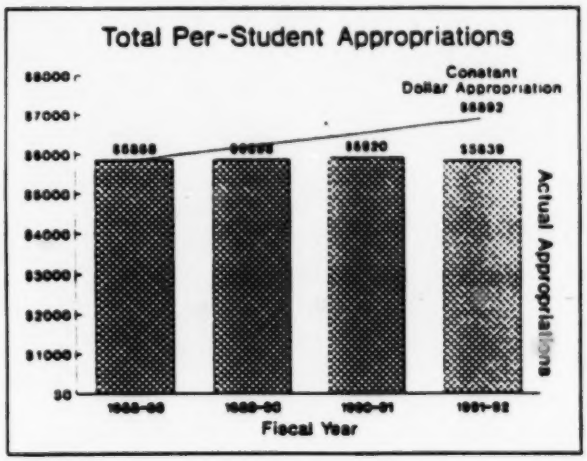
If higher education's loss in general fund appropriation increases to 22 percent. Virginia would rank 43rd among the 50 states. Virginia's per-student appropriation would be $1,100 less than the national average. Among the 15 southern region states, Virginia would rank 12th in its per-student general fund appropriation. Virginia would rank higher than only Mississippi, Louisiana, and West Virginia.



If no additional general fund reduction is required for 1991-92, and the final cuts total the $276 million already taken, Virginia's per-student general fund appropriation still

will rank only 39th among the 50 states and will be tied with Arkansas at 11th in the south.

Recognizing the budget pressures on Virginia's colleges and universities, the state has allowed institutions to offset some of the general fund reductions with revenues from increased tuition and other nongeneral fund sources. Still, if the possible general fund reduction of 22 percent is implemented, the total general and nongeneral fund appropriation per student for 1991-92 will be $19 less than it was three years ago in 1988-89. Higher education funding has, in short, stood absolutely still for four years.



But the costs of goods and services have not stood still. In constant dollars, adjusting for inflation, this is a 15 percent decrease ($6,892 compared to $5,839 per student) in the total per-student appropriation from 1988-89 to 1991-92. This means that, when the effects of inflation are considered, the loss in funding is more than $1,000 per student. From this lower appropriation base, colleges and universities are paying 10 percent more for faculty salaries and 8.5 percent more for classified salaries. Over the same time, the cost of goods and services has increased 17 percent.

If the combined per-student appropriations from the general fund and tuition and fees for 1991-92 were placed in a 1989-90 national ranking, Virginia would rank 29th. The combined per-student appropriation from the general fund and tuition and fees would be approximately $250 below the national average. The Commonwealth now spends less on each of its students than most other states.

Virginia is even spending less per student than many progressive southern states.

Among the 15 southern region states, Virginia would rank sixth, behind Florida, Maryland, Georgia, South Carolina, and Tennessee, in its per-student appropriation from the combined total of general fund and tuition and fees.

THE COST OF BUDGET REDUCTIONS

The negative effects of these unprecedented funding losses on students, faculty, and institutions are already clear and will be more so by 1991-92. The potential general fund reduction for 1991-92 (22 percent) is almost double that experienced in 1990-91.

Many colleges will be understaffed. At least nine institutions will be below 90 percent of the state's staffing guidelines for 1991-92. The guideline percentages will drop to the mid-80s for the Community College System, Radford, Virginia Tech, and George Mason.

Virginia's public colleges will lose their advantage in hiring and keeping excellent faculties. Faculty salary averages will fall substantially below the 60th percentile of benchmark institutions, an objective that took almost ten years to achieve. George Mason, Mary Washington, the University of Virginia, Longwood, Radford, and Virginia State will fall furthest. They will be at or below the 25th percentile of salaries within their respective benchmark group of institutions. In a list of 25 comparable institutions, their average faculty salaries will be lower than 18 of their peers.

Funding for library materials will decrease, while the number of scholarly publications is increasing significantly. Budget reductions, and the effects of inflation since 1989, will mean that in 1991-92 institutions will purchase 200,000 fewer books and periodicals than they need and 50,000 fewer than they did in 1988-89. In three years, book purchases will have dropped 15 percent and periodical subscriptions nine percent.

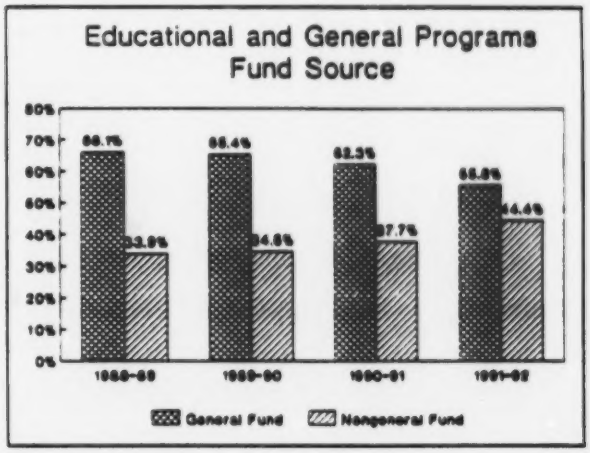
These same factors -- budget reductions and inflation -- will only allow institutions

to renew their equipment inventories every 15 to 20 years, rather than every ten years, which is the recommended standard for replacement. The great advances made possible by the Higher Education Equipment Trust Fund since 1986 will be eroded.

TUITION AND FINANCIAL AID

Total appropriations reflect increased reliance on nongeneral fund support for educational and general operations. Most of the nongeneral funds are tuition and fees, and the shift in support of educational and general programs from general to nongeneral funds is extraordinary: from about 34 percent to 44 percent from tuition in three years.

The reciprocal of low state appropriations is high tuition. In 1989, tuition and required fees for Virginia residents at its public senior institutions ranked in the top eight among the 50 states. The tuition increases that are necessary to maintain operations in 1991-92 will place Virginia's senior public institutions among the very highest in the nation in cost to students.



Under these conditions, financial aid may be the most pressing issue facing Virginia higher education. Financial aid for students increased during the 1980s, but not nearly as much as tuition and fees. The total amount for student aid increased 60 percent between 1980 and 1988. During the same period, total tuition and fees increased by 162 percent. Student aid in Virginia represented 45 percent of tuition and fees in 1980-81. By 1988-89, this proportion had dropped to 28 percent.

Since general fund operating budget support has gone down dramatically, financial aid and tuition and fees both will have to increase even more. The 1991 Session of the

General Assembly recognized this by providing a $9 million general fund increase in student aid appropriations to help institutions maintain access while increasing tuition and fees to sustain their operations. For the first time, the community colleges received an appropriation for state financial aid. The results are dramatic: more students will get larger average grants than ever before. The increase in grants will be larger than the increases in tuition and fees. But even with this unprecedented boost, state student aid appropriations will meet only one-half of the financial need of Virginia undergraduates attending the Commonwealth's public colleges and universities.

II. CHALLENGES AND OPPORTUNITIES FOR CHANGE

In 1989, the Commission on the University of the 21st Century concluded that "the basic question with which we are dealing is this: 'How can Virginia cause constructive and fundamental change within its colleges and universities so they will be ready to meet the demands of life in the 21st century?' We are looking for ways to encourage risk-taking within institutions that are, like those elsewhere, conservative and cautious about change." The 1990-92 budget reductions make it more difficult to respond to the challenges and opportunities presented by the Commission. But a response remains essential.

The report of the Commission, entitled The Case for Change, presented a visionary agenda for Virginia higher education. Since then, the colleges and universities have been working independently and with the Council of Higher Education to assess that agenda and determine how each institution could best respond to it. The Commission encouraged diverse responses to its vision, because it recognized that reasonable and experienced people might well disagree with some of its recommendations, and because it respected the diversity of institutions within the Virginia system.

CHANGING THE CURRICULUM

The responses of colleges and universities to the Commission's report show that a lot of good work is being done. Clearly the report has helped to set an agenda for Virginia higher education. Pursuing that agenda in the present fiscal environment has been a formidable challenge, but progress has been made, especially in those areas where change does not require large amounts of money.

The curriculum, which changes glacially, is in a period of relatively rapid movement. Revisions of general education -- to ensure that students acquire global and multicultural perspectives, scientific and technological literacy, and better communication skills, as well as to put a greater emphasis on interdisciplinary work -- have been going on for some time

in Virginia, although at some campuses faculty have not yet approved the proposed changes in general-education requirements. In 1986-1988, the Funds for Excellence sponsored a number of general-education projects, and in 1987, the director of the Council identified curricular change as a priority for the coming decade.

The advent of assessment spurred these efforts. When the General Assembly asked that all institutions assess their general education programs, faculty began to see them not as a set of courses to be taken but as a set of learning outcomes that they wanted for their students. The two can be quite different: William and Mary discovered, for instance, that despite a very respectable three-course general-education requirement in science (including a laboratory), its students are not as knowledgeable about scientific issues of public concern as the faculty would like.

In general education, some institutions now put greater emphasis on multicultural understanding, have increased science and mathematics requirements, and have added advanced writing requirements. Several have tried to teach oral communications, but none have the resources to do as much in this area as they would like. Radford's Funds for Excellence project -- developing videodiscs to teach the rudiments of public speaking to large numbers of people, thus freeing up faculty to work with students and faculty who are actually giving speeches -- may be a way to use technology to address this issue.

Some institutions are changing their curricula to incorporate the contributions and experiences of women and minorities. Affirmative-action efforts at the institutions generally focus on the recruitment and retention of minority faculty and students and of women into disciplines in which they are underrepresented. Christopher Newport has been particularly successful in increasing its number of minority faculty. James Madison's proposed new college of science and technology envisions a major effort to encourage black and female students interested in those areas of study. Programs like those at Old Dominion University and Mary Washington College to incorporate new scholarship on women and minorities into the curriculum are particularly important.

Curriculum change is also to be found in new academic programs recently endorsed by the Council of Higher Education. Most are interdisciplinary; many are in scientific or technological fields; and even those that do not focus on global or international issues have incorporated those concerns into their curricula. That colleges are interested in teaching about areas of the world that have become more important to the nation is reflected in the intention of several to offer more language training in Arabic, Russian, and some of the Asian languages. Some new graduate programs are explicitly designed for working adults, and it is clear that institutions are carefully assessing the needs of their communities and the larger workforce in designing new programs.

ASSESSMENT AND NEW WAYS OF TEACHING

Only by carefully assessing the results of the changes will faculty be able to determine whether they have had the desired effect. It may be necessary to develop interdisciplinary courses, as a number of institutions are doing, to affect learning in the way envisioned. It may be necessary to redesign the courses now offered, as Clinch Valley College is planning to do with its introductory science courses, in the expectation that they will not just produce scientists but citizens who are genuinely knowledgeable about scientific issues of public concern. Or it may be that teaching different things will have no effect until they are taught differently.

This last possibility has led several institutions to establish teaching centers, where faculty can attend workshops, arrange to videotape themselves teaching, learn about some of the newer pedagogical approaches, see examples of effective teaching, or be introduced to the newest teaching computer software in their disciplines. These centers are likely to have a great effect on graduate teaching assistants, more of whom are being trained systematically to teach.

Most institutions have stated that good teaching is rewarded in their tenure, promotion, and merit pay systems. This is undoubtedly true, particularly at the

comprehensive and community colleges. But institutions have not described specific measures beyond student evaluations for reviewing teaching so that it will be taken as seriously as peer-reviewed research, particularly at the research universities. Institutions will have to ensure that genuine merit in a range of responsibilities, including teaching, advising, scholarship, and public service, results in financial and other rewards for faculty.

Budget reductions have negatively affected the development and use of technology in teaching. Equipment is costly, and the time and energy needed to install the technology and educate faculty to use it are considerable. Institutions that are having trouble addressing the basic needs of their campuses are apt to be reluctant to use resources to reach beyond them. Statewide programs like the Engineering Technology "2 + 2" program ODU is developing with community colleges will falter unless the state can provide adequate support.

Reforms in the education of teachers are continuing. New master's programs for teachers are being started; for example, the first master's program at Christopher Newport will be a Master of Arts in Teaching, with an emphasis on the sciences. Some institutions are trying to continue improving the faculty supervision of students' practice teaching even though state support has ceased. Recently a group of chief academic officers met with members of the Council of Higher Education and the Board of Education to discuss teacher training, and one of the needs they identified was better education for elementary and middle-school teachers. In the next few years, institutions will propose innovative programs to train teachers for the early grades, using both general education and new majors to produce teachers who are enthusiastic and knowledgeable about the many areas of thought to which they must introduce their young students, as well as about the development of the children themselves.

The Commission on the University of the 21st Century brought together in a coherent and forceful fashion many of the most dynamic ideas about the role and evolution of higher education. In doing that, it fulfilled its mission: "to develop a vision of higher education

to meet the demands of the next century." What it did not predict was how difficult financially the last decade of the century may be for colleges and universities. What institutions of higher education have in fact been challenged to do -- by the Governor and the General Assembly -- is to provide light in a dreary financial landscape.

But three-quarters of Virginia's faculty report the morale at their institutions to be poor or only fair, and it is hard for people who feel overburdened and harassed to be optimistic and creative. The reports submitted by the institutions reflect much thought, energy, and good will. But the vital spark is flickering, and it must be carefully shielded if higher education in Virginia is to move confidently forward into the new century.

ORGANIZATIONAL RESTRUCTURING

Another kind of restructuring is demanded by budget constraints. This is organizational restructuring: closing units, diverting resources, and combining responsibilities. Here, "growth by substitution" is an important concept. Institutions can increase productivity by being more efficient and reallocating money to new priorities. The funds removed from college and university budgets should be replaced, but a lot of the replacement money should be spent differently. Additional funds will be needed and they, too, should be spent according to new priorities that are consciously chosen.

Incentives for efficiency should be provided at every organizational level, beginning with central state agencies and the central administration of colleges, and extending to academic departments and support units. Central state agencies should do a number of things as part of organizational restructuring. For instance, they should delegate capital outlay planning and execution authority to institutions and eliminate unnecessary detail in handling capital outlay and operating budget requests. The Department of Accounts should eliminate duplicative preaudits of vouchers and travel expenditures. Institutions should be allowed to issue checks drawn on the state treasury. Fundamentally, state government should provide support and policy direction to institutions. This approach fully supports the

constitutional responsibility of the Governor and General Assembly to set appropriations and statutory policy. State government should set these policies, audit institutions, and reprimand them if they behave wrongly.

Virginia's colleges and universities are staffed by professionals who know how to do their jobs. Responsibility to execute general state policy, as set by statute and in the Appropriation Act, should be decentralized to the greatest extent possible. Top-down management creates the illusion of control, but often only the illusion.

Virginia ought to ask the colleges and universities how and by how much they could reduce their staffs by eliminating various central reporting requirements. Then a collective agreement should be negotiated. Each institution cuts its staff by a specified number, central agencies cut theirs, and some activities are removed from the workload of both.

Neither exhortation nor starvation will produce cost savings as readily as allowing those who produce the savings to keep the resources. If, for instance, the money saved by combining several administrative units can be kept to acquire better computing hardware or software, there is a reward for good management. If the savings do not remain with the unit that produces them or, even worse, revert to Richmond, there is no incentive to do anything except "hold on to what you have."

Colleges and universities can increase productivity by restructuring their own organizations to be more efficient.

- They can close programs, schools, or colleges that are chronically under-enrolled or that are not distinctive within Virginia (or, at the doctoral level, within American) higher education.

- Faculty job descriptions can be changed to let each faculty member concentrate on what she or he does best, whether that be teaching, research,

or public service. Money for faculty salaries can be allocated to academic units within each institution, with the expectation that a group of faculty members will produce a certain number of credit hours, a certain volume of research, and a certain amount of community and institutional services. The unit could then allocate the salary money and the responsibilities for teaching, research, and service among its members. The academic unit could then be more productive.

The central premise here is simple, if controversial. Faculty members play different roles within their departments and institutions. Yet American higher education has only one dominant model of faculty activity and attempts to fit all faculty to it. This has to change.

Some limited number of faculty are creating knowledge that will help to shape human understanding. It is entirely appropriate that they teach only a few students who can carry on their work. Other faculty do research to one degree or another, although all must be engaged in the current thought within their areas of specialty in order to be effective teachers. The challenge is to create within an academic unit an appropriate balance of faculty to teach the students, create knowledge, and serve the community. Each faculty member will bring special strengths to the unit, and all should not be forced into a single mold.

- The higher education system can accommodate enrollment growth during this decade by encouraging more high school graduates to attend community colleges for the first two years of their baccalaureate education and accepting more transfer students at the senior institutions. Students who require developmental or remedial education also can be referred to the community colleges so that all senior institutions can get out of remedial education.

This presumes, of course, that the community colleges will be adequately funded to accommodate increased enrollment. The community college system is presently operating at less than 85 percent of staffing guidelines. While the community colleges can offer the first two years of undergraduate study less expensively, they must have enough money to do the job well or students will be seriously short-changed.

- Institutions can review high-cost curricula such as engineering to determine whether all of the courses and majors offered are appropriate for the technologically sophisticated society of the future; eliminate layers of middle management by expanding spans of control and delegating increased management responsibility to faculty; and reduce staff by combining activities such as admissions, financial aid, and the registrar, all of which deal with student files.

- Finally, because tuition is high and likely will increase even more, institutions have to decide what services they can offer at prices students can afford. Services such as placement, health care, counseling (not to be confused with advising), recreation, and other student activities might be abandoned or made optional in order to control costs and therefore price. A stripped-down vehicle is not as much fun to drive as one with all the bells and whistles, but "basic higher education" is an option that should be offered to those who want it.

There are doubtless many other suggestions. Each will be supported by some and condemned by others. But these steps, or others like them, are necessary if Virginia is to realize the vision of the Commission on the University of the 21st Century. They are, moreover, necessary if higher education's recovery is to occur. Recovery to where it was, as good as it was, will not be sufficient for Virginia higher education in the years to come.

EXPANDING TO MEET NEW NEEDS

Proposals to expand the capacity of Virginia higher education are taking shape: various institutions have proposed to augment their capacity to serve students by adding off-campus centers, new campuses, and new schools or colleges. In the next several months, the Council of Higher Education will analyze a number of proposals so it is in a position to make recommendations to the Governor and the General Assembly before the 1992 Session begins.

Among these proposals are the Abingdon Center of Clinch Valley College and others; the Prince William County, Arlington, and Center for Innovative Technology Institutes of George Mason University; a College of Science and Technology at James Madison University; a Center for Graduate Studies of Mary Washington College; Centers in Virginia Beach, Portsmouth, and Suffolk of Old Dominion and Norfolk State universities; a College of Global Studies at Radford University; and an Arlington Center of the University of Virginia and Virginia Polytechnic Institute and State University.

The Commission urged Virginia's colleges and universities to focus attention on what and how students should learn -- in other words, on the curriculum. Some of the proposals for expansion do this in significant ways, either focusing on new curricula or on new conceptions of institutional organization and delivery of services. Others are extensions of present curricula and practice to new locations.

In making recommendations to the Governor and the General Assembly, and in assigning priorities to the various proposals, the Council will consider the extent to which each reflects the Commission's urgent sense that change is needed and that current practice ought not simply be extended. The Council also will consider the state's enrollment projections and population data, and the cost of the proposed expansions.

III. PAYING FOR HIGHER EDUCATION

The 1990-92 budget cuts are not moderate; they are deep and visceral. A program of incremental financial recovery, drawing funds from new revenues as they gradually become available, will take a long time. But Virginia does not have a long time. Change is essential, and further growth and progress has its price. Enrollments, now increasing at one to two percent annually, will begin growing more rapidly around 1995. Enrollment in Virginia's state-supported colleges and universities is expected to grow by 26 percent during this decade, exceeding 368,000 students by the year 2000.

The Commission on the University of the 21st Century laid out an agenda for change that was ambitious, urgent, and costly. Global forces of change are moving faster than Virginia higher education. Merely recovering higher education's 1988 level of funding over a decade will leave Virginia desperately behind. The further development of its colleges and universities is essential to Virginia's future. The quality and national stature achieved with adequate resources and great effort should not be allowed to fade.

Unless both restructuring and financial recovery begin now, Virginia's colleges and universities will lose their advantage in getting and keeping the best faculty. Many institutions will be severely understaffed. The funds remaining after salaries are paid will not buy essential library materials or instructional equipment. Inescapable cost increases for such items as utilities, insurance, and hazardous waste handling will consume the few non-salary dollars that remain.

What, then, can be done? The actions of the 1991 Session of the General Assembly point in a promising direction by recognizing the needs of the institutions, authorizing them to increase tuition, and appropriating an unprecedented increase in undergraduate student financial aid.

Virginia is a high tuition state. But this is only part of an accurate description.

Virginia also is a relatively low tax state: 43rd among the states in state and local tax revenue per $1,000 of personal income. The Commonwealth has chosen to support its colleges and universities through a combination of relatively high tuition and fees and relatively low general fund appropriations.

As colleges and universities have served more students over the past ten years, they have served them with a declining share of the state's general fund, and tuition and fees have increased significantly. Faced with the current situation, institutions have chosen to increase tuition and fees even further rather than reduce enrollment or degrade quality. They also are using a variety of strategies in which students, other users, and private donors pay for some classroom, laboratory, and general academic buildings for which state general funds historically have paid.

Virginia's public colleges and universities now enjoy the worst of two worlds. They are poorly funded on a per-student basis and charge relatively high tuition. The 1990-92 biennium shows an unprecedented shift in support of Virginia public higher education from state support to the student.

CAPITAL OUTLAY IN THE 1990s

Capital outlay appropriations to eliminate the unprecedented backlog of unfunded capital outlay projects should begin in 1992-94. The 1992-94 capital outlay requests of Virginia's public colleges and universities are consistent with previous estimates of educational and general capital outlay needs of approximately $1 billion during the 1990s. Planning previously has been approved for almost two-thirds of the 1992-94 requests. Needs of this magnitude emphasize the importance of the long-term capital planning process recommended by Governor Wilder.

The backlog of needs calls for a new approach. As the Governor and others have suggested, the Council of Higher Education has taken the long view and identified those

projects that need to be funded during the decade of the 1990s. The Council has reviewed the long-range enrollment projections and master plans for each institution. Each institution's space needs have been projected through the year 2000 and compared with institutions' 1992-94 capital outlay requests and their future plans to request funding.

In broad terms, outlays of at least $1 billion for educational and general space should be phased over the next three biennia: 1992-94, 1994-96, and 1996-98. What is called for is not a one-time commitment, but three successive $250 to $350 million higher education capital outlay packages spaced over the decade. It appears that the most logical way to fund these capital outlay needs is general obligation bond issues: again, not one, but at least three over the decade. The Council has made a recommendation for each institution's capital outlay funding for the 1990s. These recommendations should be acted on in the 1992 Session of the General Assembly.

THE NEXT BIENNIUM AND BEYOND

The 1992-94 operating budget needs of Virginia higher education are $500 million in excess of the funds available to support the colleges and universities in 1991-92: $200 million in the first year of the biennium and $300 million in the second. This estimate is based upon staffing the institutions at a minimum of 90 percent of guidelines, providing library books at 90 percent of guidelines, adequate funding for non-personal services, moving the faculty salary average for each institution back to the 60th percentile of the list of benchmark colleges and universities with whom it is properly compared, and providing enough funding for instructional and research equipment to replace the inventory every ten years.

Under conditions that existed before 1990, about 65 percent of this increase -- $130 million in the first year and $195 in the second -- would come from the general fund. The rest would come from increases in tuition and fees. This is the traditional and most desirable way to support a public system of higher education. It is the most desirable

alternative, because it acknowledges that both the individual and the Commonwealth benefit from higher education.

Because the institutions are trying to move ahead despite their financial problems, general fund appropriations for 1992-94 should fund the incentive program envisioned by the Commission on the University of the 21st Century to encourage the exploratory development and change suggested in its report. Called the "21st Century Fund," it would encourage substantive change in curricula and management practices. It would supersede the present "Funds for Excellence" program, and should be funded initially at $21 million. This is one percent of the original 1990-92 general fund appropriation for Virginia public higher education. It should be funded entirely from the general fund, since future students will be those who benefit from change and improvements.

OPTIONS FOR CONTINUED IMPROVEMENT

If the leadership of Virginia determines that sufficient revenues cannot be raised to provide higher education with the money it needs from the general fund, several other options should be considered. The one option that those directly responsible for Virginia's colleges and universities will not support is planned, intentional degradation of the quality of higher education. It is too apparent that the future of Virginia -- indeed, the future of any modern, industrialized society -- is inextricably bound to the quality of advanced education available to its citizens. To degrade the quality of higher education in Virginia is to accept degradation in the standard of living of Virginians.

Another option is to reduce the number of students the system serves: simply make institutions smaller than they are today. This, too, is not desirable given the historic commitment of Virginia to provide higher education to all those who want and can benefit from it, the high probability that those who would be deprived of higher education are the most needy among the citizenry, and the substantial increase in the number of high school graduates that will begin around 1995 and continue into the early years of the next century.

This is exactly the wrong time to scale back the system.

Another possibility is for Virginia's colleges and universities to increase their productivity: handle more students with smaller staffs. To some extent, this already has been done in order to absorb budget cuts in 1990-92. More will be done. But by its nature, higher education is labor-intensive. Some efficiencies can be introduced to increase productivity, but they cannot begin to compensate for the under-funding now experienced by Virginia's colleges and universities or the growth coming in the next ten years. Faculty work hard -- a recent survey indicates that they work an average of 50-55 hours per week. But when they teach more they do less of other things: less advising, less design of new courses, less committee work to govern their institutions, less informal involvement with students, less research and community service.

If sufficient general funds are not made available, there is only one other major source of higher education funds if Virginians are to have outstanding public colleges and universities. Tuition will have to go up to provide the necessary operating support. Student aid will have to go up correspondingly to ensure access for needy students. Even then, the colleges and universities cannot increase tuition and fees enough in the next biennium to regain the losses of the last two years. It will take longer to accomplish this objective.

The leadership of Virginia might decide to increase financial aid and tuition over the next four years, with the expressed intent of restoring the historic balance between general fund support of higher education and tuition and fees between 1996 and 2000. This would place a burden on one generation of students, but at least it would maintain the vitality and student capacity of the system.

Alternatively, tuition and fees could be allowed to increase substantially along with financial aid as Virginia seeks a new understanding of how higher education is to be financed in the future. Roughly speaking, two models have evolved during the past century: the public and the private. In the public higher education model, tuition is kept relatively

low, thereby guaranteeing access with limited student financial aid. In the private higher education model, tuition is relatively high and access is provided by giving financial aid to needy students. Virginia could choose a modified version of the private higher education model, supporting its public colleges and universities differentially depending upon the mission of each but relying substantially more upon tuition and fees to support the system. Its colleges and universities could explore new possibilities, such as different tuition charges for students depending upon the level of study or the degree program being pursued.

If student tuition and fees have to provide an even larger share of operating budget support in the 1992-94 biennium, the highest general fund priority is additional student financial aid. Because tuition is high and would have to go higher for institutions to operate effectively, additional student aid would be needed to maintain access to higher education.

ESTABLISHING A NEW RELATIONSHIP

One other alternative remains: to reduce the obligations of the Commonwealth by changing the relationship between it and several of its public colleges and universities. Depending on financial circumstances and decisions made by Virginia's leadership, the relationships can change in relatively dramatic or in undramatic ways.

Colleges and universities that receive less than, for example, half of the money they spend on educational and general programs (the instructional and administrative core of each institution) from the general fund could be allowed to choose exemption from state oversight by personnel, purchasing, budget, and accounting agencies. Some institutional administrators have said they could operate more efficiently if they were subject to audits, but not to state agency review and approval of daily transactions. Granting some institutions the option to operate without these controls would be a powerful incentive for them to accept less general fund support.

This exemption would be an extension of the decentralization efforts begun in the

1980s, in which institutions that meet certain criteria are rewarded with greater financial and administrative flexibility. Most institutions now meet the criteria, and a strictly post-audit relationship with the state may be appropriate for some.

The relationship between the Commonwealth and some institutions can change even more fundamentally. The Commission on the University of the 21st Century envisioned the possibility of state-assisted institutions: semi-private colleges and universities receiving significant state assistance in the form of student capitation grants. These institutions would be subject to programmatic, but not administrative, regulation by the state. A number of major independent universities are in this relationship with the Commonwealth of Pennsylvania, and parts of Cornell University receive state support while others do not.

The Commission envisioned that some independent institutions might eventually move into this relationship with Virginia, but it may be necessary that some public institutions redefine their relationship with the state in this manner. This action may ultimately be forced by the state's fiscal constraints.

Public colleges and universities are an important part of education in the United States. But high-quality colleges and universities are even more important. Virginia may reach a point where high quality and public status are no longer compatible for all institutions now in the state-supported system. This will not be a pleasant choice, and it certainly is not without risk. But it may be the only choice to make. The alternative may be a generally degraded system.

If, by 1996, state general fund support per student has not returned to the national average, Virginia should consider legislation that charts this path for its most prestigious and financially strongest institutions. This would accomplish two things. First, the freedom to increase tuition and fees to levels typical of excellent private institutions, along with release from state regulation, would let some institutions avoid being dragged down by limited state funding. Second, the remaining state-supported system of higher education would be smaller

and could be better funded.

Pending more detailed study, the Cornell model seems attractive. An entire institution might not become state-assisted, but the strongest schools or colleges within it could be, while the others remain state-supported. The state-assisted schools or colleges would receive capitation grants for degrees conferred to domiciliary residents of Virginia. Institutions would be expected to increase the tuition of these schools or colleges to competitive market levels, as determined by their governing boards.

Such an action would be unprecedented. On the one hand, it would be an admission that Virginia does not have sufficient public revenue or public will to support the fine system of higher education it has built. On the other hand, ironically, the statement might be positive. Few, if any, states have institutions of such strength and high quality that they could even consider this alternative. But no other state has as much to lose if bold solutions are not found to providing the funding that is essential for colleges and universities of the highest standard.